

AMERICAN MINI - LABS, Co.

10003 NORTH HOLMES COURT
MEQUON, WISCONSIN 53092
TELEPHONE (262) 242-5610
FAX (262) 242-5609

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WISCONSIN COMMISSIONER
OF INSURANCE

June 6, 2002

Connie O'Connell
Wisconsin Insurance Commissioner
P.O. Box 7873
Madison, WI 53707-7873

Dear Commissioner O'Connell:

The Milwaukee Journal Sentinel article this morning quoted you re your concern over escalating health insurance costs and the many problems facing all of us in the health business. Your comments and those of others suggested that I write to you. I sometimes wonder if we ask or recognize the right questions. One need not have an MBA to anticipate the difficult business dealings one has in selling health insurance to corporate management, especially with the driving forces of union interest and concern for their membership. One of the problems, as I see it, is the failure on the part of many to recognize the driving force of the root causes of the health insurance problem. If one is perceptive and honest enough to recognize these forces, then solutions can take shape, irrespective of the desires and hopes of one or the other of the parties involved.

On the basis of my several decades in the medical business (note I avoid the expression "medical profession"—since the practice of medicine is now an industry), I believe I can identify some of the root causes of our problems, and, perhaps, offer tentative solutions. I am confident that the solutions I have to offer will be not be happily or quickly adopted by those who are a part of the problem.. Therein lies the difficulty of the task.

The basic root cause of the obscene cost of health insurance premiums today stems from the providers, namely, the physicians and the hospital systems. This situation was derived from the early days of health insurance, when surgeons were guaranteed payment for their services (Blue Shield/Blue Cross, etc.). It did not matter whether the patient lived or died on the table—payment was assured. The more surgeries the bigger the payments. Not long, thereafter, with many complaints from GP's and internists, small payments were then made to this group for hospital admissions. This was followed by payment made for office visits, X-Rays, lab test, injections, etc. The greater the visits, the more the testing, the more the injections, the more the X-Rays. The more conditions found the more the hospital admissions, and surgeries, and so on. Thus, the relentless climb of health premium costs like rockets. Not to be overlooked was the annual increase in insurance company profits with the commissions of greater premiums.

The hospitals, of course, recognized the gold mine of the insurance guarantees. Hospitals were rebuilt and refurbished. Multiple layers of vice-presidents were added to the administration at 6 figure salaries. Departments of public relations and advertising were

created. Large budgets were developed for these services, designed to capture market share one from the other. Nobody would admit that medical services were provided only by physicians and nurses—that these same professionals practiced at all the hospitals. The hospital had very little to do with quality of patient care or survival—by today's standards. Nevertheless, hospital CEO's were favored with salaries of \$650,000 plus with annual bonuses.

Currently, the gimmick is to build boutique hospitals for cardiovascular, orthopedic, and perhaps oncologic institutions in partnership with the respective surgeons and physicians as profit companies. This is a natural (capitalistic) development since the money is guaranteed. Why does Aurora need to be in the pharmacy business (90 stores)? Again, money is the underlying driving force for Aurora, the surgeons, the hospitals, and all other providers.

I believe all this to be true. For example, a simple study would reveal that the number of multimillionaire physicians and surgeons, 5 years out of training, has enjoyed quantum growth, far exceeding anything like the booming 90's and the rate of inflation. This in spite of a basic decrease in the number of hospital beds, and the quadrupling of the number of highly-paid administrators.

Clearly, the problem will not be corrected until the physician pay-scale is limited or reduced. The hospital room rent has to be equalized area-wide and capped. An area-wide reevaluation of surgical fees and medical services is necessary and accepted by all doing such surgeries and other services. On the other side of the equation, I believe patients have some responsibility. All health insurance policies should have a minimum of \$2000.00 deductibles. For minor matters, the consumer can elect to spend part of his deductible out of pocket, or take a Tylenol. He/she can practice simple preventive care by getting inexpensive health preventive testing. One can avoid obesity; and have inexpensive testing for cholesterol, osteoporosis, cancer of the prostate, colon, diabetes, and many other tests which are available at a fraction of the cost in the physician's office or hospital labs. If something is found of consequence, then the physician's services might be obtained. Many of the major disabling and catastrophic illnesses and diseases can be avoided or delayed by simple appropriate testing early rather than after the fact for dollars rather than hundreds, for hundreds rather than thousands. One day in an intensive care unit would far outstrip the cost of an "expensive" lab test work-up such as can be found at American Mini-Labs, in the business of providing quick, inexpensive health preventive testing. (See Jan. 4 issue of *Small Business Times*).

Other huge savings can be made by inducing large and small businesses to offer screening testing of their employees on site at minimal cost. The savings made by discovering potential serious disease in the work-place and preventing the heart attacks, strokes,

fractured hips, anemia's, etc. before the end-stage of the disease would save industry and business hundreds of thousands of dollars, perhaps millions, in many ways, not the least of which is improved production, decreased health premiums, reduced recruitment and training, and reduced recovery post-illness costs. Perhaps, the reduced premium (with lower cost health experience) could be paid to the employee as an earned benefit.

One can expect very vocal objections to all of the above by organized medicine and the hospital associations. If the problem is to be corrected, a new approach seems necessary. The old system of presenting the consumer with the new premium rates—take it or leave it, is no longer acceptable. The insurance industry, it seems to me, must take the lead. They must determine what is fair, not what and how much can we get. The question should be: “what is a reasonable cost for health insurance that most people can pay?” The affordable cost must finally be directed at the ultimate consumer. The insurance industry can no longer present health costs as a fait accompli, the public be damned. The captains of industry and business must be the responsible agents representing the middle class persons, small and large business employees as well as all others. Those below the established poverty line are another matter for which provision is already made.

A single reasonable fee for the single test or procedure for all consumers is to be paid to all providers (Medicare model—although their fee schedule is unreal). Those providers who choose not to accept the reasonable fee are free to have more time for their golf games, travel, and country club activities. Obviously, they probably have already made the big money. The reduced fees will sooner or later be readily acceptable to most doctors, especially those coming out of training programs and will work for reasonable fees rather than the inflated money now available, courtesy of the insurance industry. Those that are more skilled will enjoy greater reputations and more work. Reasonable fees will still create generous and adequate MD incomes.

The insurance industry must be responsive to the mass of people. Henry Ford, Bill Gates and Sam Walton did well by being innovative, producing goods and services that had mass appeal that was affordable. The 40 million people who currently cannot afford the present inflated insurance premiums will certainly return to the health insurance market if they can afford the costs. The health insurance business must lead in reducing costs to industry and business for success of the program. Incidentally, insurance people should also do well.

Past experience with letters has shown me that many business people choose not to answer such letters. Nevertheless, since you are determined to somehow help improve the health insurance business as it is today, perhaps some of the above may be of some value to you.

It is for the very reasons noted above that I founded American Mini-Labs—to bring to those without health insurance and those with high deductibles, important and definitive preventive health tests to prevent the need of over-priced surgical procedures and hospitalizations. I truly believe that we can make the difference to a large extent.

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Whether done in a localized health testing office such as ours or on site in a business with large numbers of employees, picking up those indicators suggesting the possibility of disease formation, will necessarily reduce medical and hospital costs. Obviously, the "health insurance cost" must follow downward. Whether or not all the concerned officials, private and government agree is another matter.

I apologize for the length of this letter. I felt it necessary to express my views of this vexing problem since it is unlikely that an individual such as myself, with a very low public/business profile, would be called upon by any commission for whatever opinion I might have regarding a matter as large and important as the health welfare of the nation.

Sincerely,

A handwritten signature in black ink, appearing to read "Louis W. Sennett". The signature is fluid and cursive, with a long horizontal stroke at the end.

Louis W. Sennett, M. D.
President and Medical Director
American Mini-Labs, LLC

5900 N. Port Washington Road, Glendale, WI 53217 (414)-906-1989